DOCUMENT RESUME

ED 392 981 CE 071 165

TITLE Department of Labor Job Training Partnership Act Report 95-S-39.
INSTITUTION New York State Office of the Comptroller, Albany. Div. of Management Audit.
PUB DATE 9 Aug 96
NOTE 24p.
PUB TYPE Reports - Descriptive (141)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Audits (Verification); Contracts; Educational Legislation; *Employment Programs; Federal Legislation; *Job Training; *Program Administration; Program Effectiveness; Relevance (Education); *Statewide Planning; Vocational Education
IDENTIFIERS *Job Training Partnership Act 1982; *New York

ABSTRACT

Selected practices relating to New York's Job Training Partnership Act (JTPA) program during the 1993 JTPA program year were audited to determine the following: whether service delivery areas (SDAs) are providing training in occupations for which future growth is expected, whether SDAs award contracts on a competitive basis, and whether contractors are delivering services in accordance with contract terms. Auditors reviewed the New York State Department of Labor's (NYDOL) policy and procedures relating to JTPA, visited a sample of 8 of New York's 33 SDAs, and reviewed those SDAs' records pertaining to financial and program transactions. As a result of the audit, it was recommended that the NYDOL ensure that SDAs do the following: comply with the "New York State Procurement Manual for JTPA Programs"; review contractor performance for compliance with contract terms and discontinue contracting with organizations whose services are unsatisfactory; enforce contract requirements regarding maximization of financial aid; require contractors to submit documentation to validate contract billings; and confirm that participants meet all contractor- and industry-set eligibility requirements before they are enrolled in occupational training. Specific recommendations regarding the practices of the Suffolk SDA were also presented. (MN)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

CE

ED 392 981

State of New
Office of the State
Division of Work

DEPARTMENT
JOB TRAINING PA

CE071165

BEST COPY AVAILABLE

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

R M Nelson

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

State of New York
Office of the State Comptroller

Division of Management Audit

Report 95-S-39

Mr. John E. Sweeney
Commissioner
New York State Department of Labor
State Office Building Campus
Albany, NY 12240

Dear Mr. Sweeney:

The following is our audit report on selected aspects of the Job Training Partnership Act program in New York State.

This audit was performed pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law. Major contributors to this report are listed in Appendix A.

Office of the State Comptroller
Division of Management Audit

August 9, 1995

Executive Summary

Department of Labor
Job Training Partnership Act

Scope of Audit

The Job Training Partnership Act (JTPA) was enacted by Congress in 1982 to fund the nation's primary employment programs. The purpose of JTPA is to prepare youth and adults with serious barriers to employment for participation in the labor force by providing training and other services that will result in increased occupational skills, employment and earnings, and decreased welfare dependency. The New York State Department of Labor (Department) receives about $230 million in Federal funds annually for the JTPA program. The Department passes most of the funds through to local Service Delivery Areas (SDAs) to manage the employment training programs. New York State is organized into 33 SDAs. Most SDAs contract with service providers for a majority of their training and training-related needs.

Our audit addressed selected aspects of the JTPA program at eight SDAs (Buffalo, Hempstead, Monroe, Onondaga, Rochester, Suffolk, Westchester, and Yonkers) which received over $30 million in funding during the 12-month period ended June 30, 1994 and provided services to over 9,000 participants.

Our performance audit addressed the following questions about the Department's JTPA program for the period July 1, 1993 through June 30, 1994:

- Are the SDAs providing training in occupations for which future growth is expected and that require medium or high skills?

- Are the SDAs awarding training contracts to service providers in a fair and equitable manner and ensuring that services are delivered according to contract terms?

Audit Observations and Conclusions

We determined that the SDAs we visited are generally successful in providing training in occupations where long-term employment may result. We also found that, while most training contracts are awarded appropriately, improvements could be made to ensure that the best price is obtained and that services are delivered according to contract terms.

The primary responsibility for planning and directing the JTPA program rests with the SDAs. JTPA training and services should be implemented pursuant to annual plans developed by each SDA, with advice from a

local Private Industry Council composed of representatives of the private sector, educational agencies, and organized labor, and approved by the Department. The annual plans should include tactics for addressing local barriers to employment, identifying local growth industries where there is a demand for jobs, and emphasizing training in moderate- or high-skilled occupations that can lead to long-term employment. As a result of our visits to 8 of the 33 SDAs, we determined that SDAs are generally successful in tailoring job training to meet local demand and in placing participants in skilled occupations. Our audit work was limited to performing statistical samples to verify program results; we did not assess how program funds were spent. (see pp. 5-8)

The New York State Procurement Manual for JTPA Programs requires that SDAs: obtain the best price possible for contracted services from reliable vendors; ensure that contracts are awarded equitably; and verify that stipulated services are delivered before paying for them. To determine whether SDAs award contracts and monitor contract performance according to these requirements, we reviewed over 70 provider contracts, totaling $6 million, for services delivered during the 1993 program year at the eight SDAs we visited. We determined that the SDAs generally award contracts appropriately. However, we identified several instances where SDAs could have obtained services at a more reasonable cost by coordinating contracting efforts and by taking advantage of available discounts. We also found that contractors were sometimes overpaid or paid for services not performed. For example, we found that one SDA paid a contractor for services that were not JTPA program related. The same SDA also awarded a $60,000 training contract in job readiness skills to a provider with inadequate facilities and no evidence of training materials. The Department needs to ensure that the SDAs improve their monitoring of contractor performance so that JTPA program funds are spent appropriately. (see pp. 9-16)

Comments of Department Officials

Department officials agree with our recommendations and indicate that actions are being taken to implement them.

Contents

Introduction	Background	1
	Audit Scope, Objectives and Methodology	2
	Response of Department Officials to Audit	3
Review of Training Offered by the SDAs	Job Skill Levels	6
	Demand Occupations and Job Development	7
Contract Administration	Awarding Contracts	9
	Contract Monitoring and Performance	12
Appendix A	Major Contributors to This Report	
Appendix B	Comments of Department Officials	

Introduction

Background

The Job Training Partnership Act (JTPA) was enacted by Congress in 1982 to fund the nation's primary employment programs. The purpose of JTPA is to prepare youth and adults with serious barriers to employment for participation in the labor force. JTPA is to provide participants with training and other services that will result in increased educational and occupational skills, increased employment and earnings, and decreased welfare dependency.

There are five major JTPA "Titles" (i.e., programs). Titles I, IV and V address administrative and program planning issues. Title III is designed to assist persons who have recently lost jobs due to mass layoffs or plant closings, and emphasizes retraining and reemployment. Title II, the major JTPA program, provides a variety of educational and job training programs for youth and adults. Title IIA provides training activities for adults and youth, including classroom training, on-the-job training, and training in pre-employment and occupational skills. It also includes funds for programs that provide basic educational skills, transitional employment skills and training for older workers. Title IIB provides summer jobs, remedial education, and labor market orientation to JTPA eligible youth. Title IIC provides training, activities and services designed to enhance the educational, occupational and citizenship skills of youth and encourage school completion or enrollment in alternative school programs.

The Federal Department of Labor funds the JTPA programs. The funds are allocated to the states based on the relative number of unemployed and economically disadvantaged individuals in each state. The Governor of New York has delegated responsibility for administering New York State's JTPA program and overseeing program policy and content to the New York State Department of Labor (Department). The Department receives about $230 million annually in JTPA funding, most of which it distributes to 33 Service Delivery Areas (SDAs) located throughout the State, based on the SDAs' respective populations. Examples of local government entities that manage employment training programs as SDAs are a local Office of Employment and Training and a County Department of Labor or Social Services. Most SDAs contract with service providers for a majority of their training and training-related needs.

Our audit addressed JTPA Titles IIA, IIC, and III at eight SDAs which received over $30 million in funding during the 12-month period ended June 30, 1994 (i.e., the 1993 JTPA program year) and provided services to over 9,000 participants, as summarized below:

SDA	Allocation	Participants
Buffalo	$ 7,382,009	2,498
Hempstead	3,249,020	653
Monroe	655,950	300
Onondaga	3,763,739	1,408
Rochester	2,322,127	1,165
Suffolk	9,186,342	2,077
Westchester	2,423,877	923
Yonkers	1,231,506	319
Total	$30,214,570	9,343

Audit Scope, Objectives and Methodology

We audited selected practices relating to the JTPA program during the 1993 JTPA program year. The primary objectives of our performance audit were to determine whether the SDAs are providing training in occupations for which future growth is expected and which are classified as requiring medium or high skills, whether the SDAs award contracts on a competitive basis, and whether the contractors are delivering services in accordance with contract terms. To accomplish our objectives, we reviewed Department policy and procedures relating to JTPA, and visited a sample of 8 of the 33 SDAs and reviewed their records pertaining to financial and program transactions. We also interviewed selected managers and staff at the Department, the eight SDAs and selected contractors. Our audit did not assess how JTPA funds were spent (e.g., through analysis of the numbers of clients served at the SDAs we visited); rather, we performed statistical samples to verify certain program results. In performing these audit tests, we relied on data provided by the SDAs.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of the Department which are included within our audit scope. Further, these standards require that we review and report on the Department's internal

control structure and its compliance with those laws, rules and regulations that are relevant to those operations that are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we considered necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

Response of Department Officials to Audit

A copy of this report was provided to Department officials for their review and comment. Their comments have been considered in preparing this report and are included in Appendix B.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Labor shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Review of Training Offered by the SDAs

A key feature of the JTPA program is that the funds flow through to the SDAs with a minimum amount of program control by either the Federal government or the Department. Thus, the primary responsibility for planning, initiating, and directing the JTPA program rests with the local SDAs. Program services provided by an SDA should be rendered pursuant to an annual plan developed by SDA officials, with guidance from a local private industry council (PIC). The PIC is appointed by SDA management and is composed of representatives of the private sector, educational agencies, and organized labor, among others. In developing a strategy for the annual plan, the SDA and PIC should obtain input from industrial development agencies and community-based organizations. Each SDA's annual plan, which must be approved by the Department, should include tactics that: address the barriers to employment within the SDA; emphasize skilled occupations that can lead to long-term employment; identify local growth industries where there is a demand for jobs; and focus training and services accordingly.

Two of our audit objectives were to determine whether the SDAs are providing training that will increase the participants' skills that will result in improved long-term employability, and to determine if training is focused on demand occupations where there is projected job growth in the local economy. To address these objectives, we utilized three basic strategies: we examined the types of jobs that program participants obtained and classified the jobs according to skill level; using a judgmental sample, we compared the types of employment this group obtained to a listing of occupations that the U.S. General Accounting Office (GAO) classified as requiring high-skill levels and to a listing of demand occupations identified by the SDAs; and we reviewed the activities of eight selected SDAs and their local PICs. We also contacted local economic development officials to determine whether they were aware of economic development actions and employment opportunities in the local market. One aspect of the JTPA program that our audit did not address was the number of clients served and how the JTPA funds were utilized. This will be the subject of a future audit.

Based upon our review and analyses, we determined that the SDAs we visited used generally the same approach for identifying demand occupations, that these occupations were identified in the SDAs' annual plans, and that most of the jobs obtained by program participants were in demand occupations that offered the greatest likelihood of long-term employment.

Job Skill Levels

The JTPA program emphasizes the improvement of a participant's ability to secure long-term employment through training for an occupation and/or the removal of barriers to employment such as educational deficiencies. Thus, the JTPA program is unlike the Department of Social Services' JOBS program, whose goal is to obtain any type of employment for participants. The focus of JTPA is to give hard-to-serve individuals the skills necessary to participate in the labor force on a long-term basis.

During its 1989 audit of the JTPA program, the GAO classified some common occupations according to skill levels: low skills (e.g., dishwasher, housekeeper); moderate skills (e.g., truck driver, nurse's aide, receptionist); and high skills (e.g., auto mechanic, electronic technician, plumber). GAO developed this occupational classification in consultation with the Federal Bureau of Labor Statistics. Using the GAO classifications, we summarized the types of occupations participants at the eight SDAs we visited obtained after leaving the JTPA program to determine if the training had improved the participants' skills and resulted in their obtaining jobs requiring higher skills. The following summarizes the results of our comparison for the 1993 program year:

SDA	NUMBER OF PARTICIPANTS WHO OBTAINED EMPLOYMENT	PERCENTAGE PLACED IN HIGH-SKILLED JOBS	PERCENTAGE PLACED IN MODERATE-SKILLED JOBS
*Buffalo	927	14%	50%
Hempstead	171	31	58
Monroe	148	17	56
Onondaga	442	28	55
Rochester	358	11	50
Suffolk	609	31	50
Westchester	319	18	71
*Yonkers	88	9	74
Total	3,061	20%	54%

*Except for the Buffalo and Yonkers SDAs, the above placement rates are based upon all the participants who obtained employment during the 1993 program year. At the Buffalo and Yonkers SDAs, we used available data, which included almost all participants.

As a result, it appears that the training provided has improved the participants' skill levels, as well as their long-term employability.

Demand Occupations and Job Development

In preparing their annual plans, the SDAs are also supposed to emphasize training and education for jobs in demand occupations. Demand occupations are those positions which show the potential for growth, have a shortage of qualified personnel, and contribute to the productivity of the local area. If jobs are obtained in growth industries, this improves the opportunity for long-term employment, since the need for those jobs is expected to be long term. The SDAs identify these positions from a number of sources, including employee surveys, contact with local businesses and Department publications.

We summarized the types of occupations that program participants obtained on leaving the program and compared them to a Department list of demand occupations. The results, reported below, show that overall, nearly 70 percent of job placements were in demand occupations.

SDA	NUMBER OF PARTICIPANTS WHO OBTAINED EMPLOYMENT	PERCENTAGE EMPLOYED IN DEMAND OCCUPATIONS
*Buffalo	927	69%
Hempstead	171	66
Monroe	148	60
Onondaga	442	70
Rochester	358	67
Suffolk	609	59
Westchester	318	89
*Yonkers	88	83
Total	3,061	69%

*Except for the Buffalo and Yonkers SDAs, the above placement rates in demand occupations are based upon all the participants who obtained employment during the 1993 program year. At the Buffalo and Yonkers SDAs, we used available data, which included almost all participants.

We also reviewed the activities of the SDAs and their affiliated PICs to assess the extent to which they considered local economic initiatives in the development of their annual plans. Overall, we found that most SDAs and PICs were aware of local initiatives that would be undertaken in their areas, and adjusted their plans to accommodate them.

Contract Administration

Each SDA has the flexibility to determine the best approach for providing services to its target population. Most SDAs contract with service providers for a majority of their training and training-related needs. In selecting contractors, the SDAs must be cognizant of the quality of services being provided, as well as the cost of those services. The eight SDAs we visited during the audit had contracts totaling over $10 million. These contracts were for diverse types of services and specified various payment terms. For example, some SDA contracts reimbursed actual costs, while others provided flat fees based on the number of clients served. It is the responsibility of each SDA to ensure that the contractors provide the services as stipulated in the contracts and payments are made in agreement with the terms of the contract.

Our audit of the SDAs included a review of over 70 contracts totaling $6 million. We found that the SDAs we visited generally used the competitive bid process appropriately to obtain quality services from reliable providers at reasonable costs. However, we found some instances where we believe the SDAs could have obtained contractor services at a more favorable cost. We also found several instances in which SDAs overpaid contractors or paid contractors for services that were either undocumented or not provided.

Awarding Contracts

The SDAs are required to follow the standards and guidelines contained in the New York State Procurement Manual for JTPA Programs (Manual) to ensure that program funds are used to obtain quality goods and services at reasonable prices. Many SDAs have also established local procedures to guide officials in awarding contracts. We found that contracts were awarded according to the Manual in three of the eight SDAs we visited (Buffalo, Rochester and Monroe). At the other five SDAs, we found that one or more of the following guidelines were not followed: securing the best prices for services; maintaining adequate procurement records; rehiring only those contractors whose prior performance was effective; safeguarding the propriety of the award process; and reviewing contractors' audited financial records. When SDAs do not follow guidelines in the contract award process, the Department has less assurance that expenditures of program funds are appropriate and reasonable.

Obtaining the Best Price

The Manual states that the SDAs should secure the best price for services provided and inquire about available discounts. Our review of the contractual agreements between the Yonkers SDA and six training providers found that the SDA did not obtain the best available price for services in one of its contracts.

The Yonkers SDA has a contract with the Board of Cooperative Educational Services, Southern Westchester (BOCES-SW) that requires the SDA to pay full tuition for each student. We learned that the BOCES-SW has a policy of reducing occupational education tuition for adults by 50 percent of the per-pupil cost charged to participating local school districts. However, the Yonkers SDA paid full tuition during the 1993 program year (less some Pell grants) for 11 students who may have been eligible for the reduced rate. We found no evidence that the Yonkers SDA tried to negotiate a reduced tuition rate for their eligible occupational education clients. If the 11 students were eligible for the reduced tuition rate, the potential savings to the SDA would be approximately $20,000.

According to Section 8 of the Westchester SDA annual plan, SDAs that share the labor market should take steps to coordinate their efforts. Our review of the practices at the Westchester and Yonkers SDAs found that they do not coordinate efforts on mutual contracts to minimize costs. Officials of the SDAs stated that they use different methods of contracting. We analyzed the contract budgets and determined that Westchester and Yonkers, through separate contracts, are together paying over 100 percent of the salary of a Westchester Community College (WCC) employee who also performs other duties for WCC. Therefore, it appears that JTPA funds are reimbursing WCC in excess of the JTPA program costs. If Westchester and Yonkers coordinate efforts, they may be able to achieve more efficient, effective and economical use of resources, as well as identify potential duplications of funding.

Maintaining Adequate Records

The Manual directs SDAs to maintain records sufficient to detail the significant history of a procurement. These records should document that contracts have been awarded in a fair and equitable manner. This should include the basis for contractor selection, as well as the basis for the rejection of proposals. The Manual also states that awards should be made only to responsible contractors who possess the potential to fulfill contract terms.

We were not able to determine whether the Syracuse SDA awards contracts for JTPA services in a fair and equitable manner. The Syracuse SDA's procurement records for the 1993 program year do not adequately support the basis for selection of contractors or rejection of

proposals. Where prospective contractors submitted proposals, there is no evidence that open and free competition was achieved or that the proposals were technically evaluated. As a result, the Syracuse SDA may not be awarding contracts for JTPA services in a fair and equitable manner.

Rehiring Effective Performers

The Federal Rules and Regulations for JTPA state that the scope and purpose of adult training programs under Federal Title II of the JTPA are to prepare adults for participation in the labor force by providing job training and other services. Contractors who do not achieve satisfactory results should not be selected to provide services again unless they can demonstrate that the underlying causes for poor performance have been corrected. In addition, the Suffolk SDA has an internal policy which states that courses with training-related placement rates below 50% of the quarterly average will be dropped.

We found that the Board of Cooperative Education Services (BOCES I), a training provider under contract with the Suffolk SDA to provide basic skills and vocational training, had a "zero" placement rate for 1993. According to program records, none of the nine JTPA participants who completed the BOCES I vocational training were placed in jobs, training-related or otherwise. Nonetheless, the school was awarded a JTPA contract for 1994. Suffolk SDA officials stated that only a small number of JTPA participants attend BOCES I, and that the school is now on probation. However, we believe that the continued use of this school is inappropriate, since the contractor does not appear to meet the scope and purpose of the program or the SDA's own performance criterion.

Safeguarding the Propriety of the Award Process

The Manual states that, in soliciting requests for vendor proposals (RFPs) to provide goods or services, the SDA should avoid giving inappropriate signals about what would be regarded as an acceptable price. To further ensure that the contract awards are made on the basis of a fair and equitable competitive bidding process, the SDA should establish procedures which identify the roles of SDA staff, PIC members and other officials to avoid potential conflicts of interest. However, we found that the Westchester SDA does not adequately safeguard the integrity of the contract award process.

For example, despite Westchester SDA procedures requiring that bids and proposals be opened in a public meeting and in the presence of at least two members of the Board of Acquisition and Contract, SDA clerical staff opened proposals in private at the time the bids were received. We also found that proposals were inappropriately stored in

an unlocked file cabinet. Inadequate safeguards over contract proposals could result in unfair or inequitable competition.

Reviewing Financial Audits

The Manual states that, as part of the award process, the SDA should review a copy of the applicant's most recent financial audit. However, when we examined files and interviewed officials at both the Hempstead and Suffolk SDAs, we found that these SDAs are not performing such reviews. They indicate that they rely instead on the monitoring performed by the State Education Department. Without a review of the financial audit, however, the SDAs cannot satisfactorily determine whether the vendor has the financial stability necessary to reliably deliver contracted goods or services.

Recommendation

1. Ensure that the SDAs comply with the New York State Procurement Manual for JTPA Programs. This includes ensuring that the SDAs:

   - secure the best price for the training by inquiring about discounts and coordinating contracting efforts with other SDAs that share a labor market;

   - establish a systematic process for receiving, recording, storing and reviewing requests for proposals to document the procurement process;

   - maintain independent records of each contractor's employment placement rates and use these records to evaluate the contractors' success rates, dropping courses with low training-related placement rates; and,

   - obtain and review a copy of the most recent financial audit from each vendor to determine the vendor's financial stability.

Contract Monitoring and Performance

The SDAs are responsible for providing education and training programs, and placement services to eligible individuals. The Manual and the Department's Technical Advisories (or Advisory Bulletins) provide guidance to the SDAs on administrative, financial and program issues. At each SDA we visited, we selected a sample of provider contracts to assess the propriety of contract terms, the adequacy of contract

performance and the sufficiency of documentation for contract payment. For each contract we selected, we made site visits to evaluate contractor operations, and the facilities and equipment used to provide the services outlined in the contract. We also reviewed the qualifications of the personnel performing the work under each contract to determine whether the provider had the capability of delivering contracted services. Generally, we found the contractors are performing their work in accordance with contract terms. However, we identified the following areas in need of attention or improvement.

Performing Required Services

The Westchester SDA has a $60,000 contract with the Westchester-Putnam Affirmative Action Program (WPAAP) to provide job readiness skills training and job development and case management services. Based on our site visit during the summer of 1994 and interviews with the organization's Finance Officer/Counselor and the Executive Director, we could find no evidence that the organization provided any pre-employment skills training during the 1993 program year, as required by the contract agreement. Also, the facilities did not appear adequate to conduct training or counseling sessions (no training was scheduled during the time of our visit). For example, the contractor did not have classrooms or any other suitable facilities in which to conduct the training. In addition, the contractor could not provide copies of any of the training materials that were used.

Our review of SDA records indicates SDA officials are aware of problems with this contractor and are working on improvements. In addition, in the RFP review process for both the 1993 and the 1994 program years, the PIC recommended that this organization not be awarded the training contract. However, the SDA ignored the recommendation. Continued contracting with this organization may be an ineffective use of scarce JTPA resources.

Maximizing Financial Aid

The Manual requires that SDA agreements with contractors include a provision whereby the contractor is required to determine whether JTPA students are eligible for financial aid such as Pell grants. All the SDAs we visited properly included such a clause in their contracts. However, at the Westchester SDA, we found that a contract with Westchester Community College (WCC) is ambiguous as to who is responsible for ensuring the students file for the financial aid. The contract clause requires only that WCC provide the SDA with a report of all financial aid awards received for JTPA participants and the amount of the resulting tuition offset. It does not require WCC to ensure all JTPA students actually file for financial aid. In contrast, other SDAs require that the contractor take steps to ensure that the JTPA participants apply

for support. We found that 4 of the 14 Westchester SDA program participants enrolled at WCC did not file for financial aid, and that another person was denied aid because she filed late. If these five students had received full Pell grants in 1993, the SDA could have saved JTPA funds totaling over $10,000.

We also found that the Yonkers, Syracuse and Suffolk SDAs need to improve their monitoring of contractor compliance with the income reduction (financial aid) clause. For example, at the Yonkers SDA, we reviewed student financial aid records and account histories for five JTPA-funded, BOCES-SW students and found that one student's financial aid payment of $1,500 had not been appropriately applied. Consequently, the Yonkers SDA overpaid BOCES-SW by this amount. At the Syracuse SDA, we found that one of the contractors could not provide evidence that 3 of the 13 participants in the training program had applied for a Pell grant. We found that the Suffolk SDA overpaid a student's tuition because the vendor did not deduct a $375 Pell grant from the tuition charge.

Documenting Payments

The Manual directs that, in cost reimbursement type contracts, an SDA should require the documentation of program-related costs the contractor claims to have incurred before paying the contractor's bill. For example, the Yonkers SDA contract with WCC states that WCC will be reimbursed only for actual allowable expenses that are submitted with documentation which clearly identifies the expense (e.g., detailed paid invoices). From a total of $74,763 Yonkers paid for WCC services during the 1993 program year, we selected for review five bills for non-personal services totaling $7,936. We found that three of the five bills totaling $6,354 did not have adequate documentation to show that costs were JTPA program related. Therefore, Yonkers SDA may have used JTPA program funds to pay non-reimbursable costs.

The Westchester SDA has a contract agreement with BOCES-SW that states BOCES-SW is entitled to submit monthly claims of $576 for each program participant who has attended at least five instructional days in the month. However, the SDA does not require BOCES-SW to send in official attendance rosters signed by the course instructor. Therefore, the SDA could be paying for students who are not attending the minimum number of classes. Overpayments of tuition could occur and eligible JTPA clients could be excluded from training programs which actually have openings.

It is also the responsibility of the SDAs to ensure that contract billings comply with contract payment terms. We found that three contractor overbilled the Westchester SDA by a total of almost $6,000 during 199

Two of these contractors submitted reimbursement requests for 100 percent of certain operating expenses, rather than the percentage of the costs incurred that were program-related, as the contract required. These contractors overbilled Westchester by a total of about $5,000. A third contractor billed the SDA $700 for 70 hours of work on days the contractor was actually closed. (We reported these apparent overbillings to the appropriate SDAs.)

Necessary and Reasonable Expenses

In the interest of administering JTPA funds in the most prudent and effective manner, SDA officials should ensure that participants meet all the eligibility requirements set by a contractor or industry prior to enrolling participants in occupational training.

Syracuse SDA officials enrolled participants in truck driver training without first ensuring that they passed a physical examination required by the Department of Transportation and stated as a requirement by the contractor. When participants were sent for these examinations one week into the four-week training course, one participant was found to have a health condition that made him ineligible to become a licensed truck driver. As a result, the SDA unnecessarily paid $995 for occupational training for a participant who was not eligible to become employed in that occupation.

JTPA rules require that costs be necessary and reasonable and must be allocable to the program. During 1993, the Suffolk SDA charged approximately 19.5 leased vehicles to JTPA, four of which are permanently assigned to SDA officials. We found that the Suffolk SDA does not maintain adequate records to document the need for these vehicles. Officials estimate that a total of $91,326 in lease costs is being charged to JTPA for 1993. When we brought this to the attention of SDA officials, we were told only that, "all of the vehicles are being used." In the absence of adequate internal records or a documented allocation plan based on an appropriate allocation methodology to support the JTPA-leased vehicle charges, we are unable to determine the necessity for the vehicles or the reasonableness of the charges.

Recommendations

2. Ensure that the SDAs review contractor performance for compliance with contract terms and discontinue contracting with those organizations whose services are unsatisfactory.

3. Ensure that the SDAs enforce contract requirements regarding the maximization of financial aid.

4. Ensure that the SDAs require contractors to submit documentation to validate contract billings.

5. Ensure that the SDAs confirm that participants meet all the eligibility requirements set by a contractor or industry prior to enrolling them in occupational training.

6. Recommend that the Suffolk SDA: perform and submit an analysis to determine the number of vehicles needed to effectively and efficiently administer and operate the JTPA program; and develop and document a cost-allocation plan or other appropriate method for charging the leased vehicles to JTPA.

Major Contributors to This Report

David DeStefano
Frank Houston
Seymour Peltin
Steve Sossei
Martin Chauvin
William Furman
Harry Maher
Karen Bodnar
Brenda Carver
Maureen Costello
Michael Fillipone
Joseph Kersten
Joseph Lebda
Melissa Little
Brendan McCauliff
James Obeng
Mary Roenick
Mary Simckowitz
Rodney Washington
Karen Willard
Michael Wrobel
Nancy Varley

STATE OF NEW YORK
DEPARTMENT OF LABOR
Governor W. Averell Harriman
State Office Building Campus
Albany, New York 12240

JOHN E. SWEENEY
Commissioner of Labor

July 14, 1995

Mr. Frank J. Houston
Audit Director
New York State Office of the
State Comptroller
Division of Management Audit
Alfred E. Smith State Office Building
Albany, New York 12236

Dear Mr. Houston:

The following is a response to draft report 95-S-39, which is the result of your audit of selected aspects of the Job Training Partnership Act (JTPA) program in New York State.

It is reassuring to know that the Service Delivery Areas (SDAs) are generally successful in providing training which not only improves participants' skill levels, but which also provides training in occupations where long-term employment may result. It is significant that the audit found that nearly 70 percent of the job placements made through the eight SDAs in the audit sample were in demand occupations.

In addition, although some instances were provided where there is a need to strengthen the contract awarding and monitoring process, I am pleased that the audit found that most training contracts were awarded in a fair and equitable manner, and that quality services from reliable providers were obtained at reasonable costs.

The audit report contained six recommendations which address contract administration issues. These recommendations suggest the need for the Department to improve its monitoring of certain SDA procurement practices. The first recommendation addressed issues which pertain to the awarding of contracts. The rest of the recommendations are associated with contract monitoring and performance issues.

The Department has already begun to address the issues that were raised in the audit report's recommendations. In October 1994, we strengthened the Department's monitoring of the SDA's contract performance and financial compliance in an effort to

ensure greater compliance with the New York State Procurement Manual and the Technical Advisory Bulletins for JTPA programs. This was accomplished by the establishment of a Financial Management Unit within the Workforce Development Division. The Unit has responsibility for performing procurement reviews, and other financial reviews of each of the 33 JTPA SDAs located within New York State. Furthermore, as an indication of the importance attached to this new Unit, it is worth noting that each of these individuals is a financial auditor.

Reviews of the SDAs examined within your audit report have already been performed by the Financial Management Unit. These reviews will result in a set of findings which are currently being prepared and which will be the basis for recommending corrective measures for each of the problems and concerns identified in the audit report.

As a result of the efforts and initiatives described above, I am confident that JTPA funds will be employed more efficiently. Although the Federal rescission legislation and legislative initiatives, which have recently been introduced in both the U.S. House of Representatives and the Senate, may have a significant impact on the method of funding of the JTPA program, we plan to proceed with the improvements addressed above. Any changes would come only after a complete and careful evaluation of the impact of new legislation.

We would be happy to meet with you and/or your staff to discuss our response, or to provide you with any other relevant information.

If you have any questions concerning this matter, please contact Mark M. Mitchell, Director of Internal Audit, at 457-9016.

Sincerely,

John E. Sweeney
Commissioner of Labor

cc: N. Deborah Winslow
David Kunkel